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NATIONAL INTELLIGENCE DAILY CABLE

Thursday June 30, 1977 CG NIDC 77-151C

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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Thursday, June 30, 1977

The NID Cable is for the purpose of informing senior US officials.

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ITALY: Political Agreement Reached

*Formal agreement on the content of the Andreotti government's program was reached yesterday in negotiations between Italy's ruling Christian Democrats and the Communist and other parties that keep Andreotti in office by abstaining on key parliamentary votes. The agreement opens a new phase in relations between the government and the Communists, and the Communists are likely to play a more formal and direct role in shaping government policies.*

The negotiations focused on four principal areas--public order, economic policy, local government, and health and education reforms. The text of the accord has not yet been published, but the parties appear to have made more progress on tougher law-and-order measures--widespread concern over rising crime and violence has tended to blur political differences in this area--than on more sensitive issues such as wage restraint.

The agreement came after protracted and difficult talks between the Christian Democrats and other parties, climaxed by two highly publicized roundtable bargaining sessions involving top party leaders. These meetings were politically significant in themselves since they represented a departure from the government's previous approach to relations with the Communists. Andreotti had consulted the Communists on nearly all major domestic policies since he took office last August, but those discussions were generally held on an ad hoc and informal basis.

Communist spokesmen are thus emphasizing the historic nature of the accord, with party chief Berlinguer hailing it as a "new development in Italian politics." The Christian Democrats, on the other hand, are taking a low-key approach, terming the agreement "useful" and stressing that they have managed to hold concessions to the Communists to a minimum.

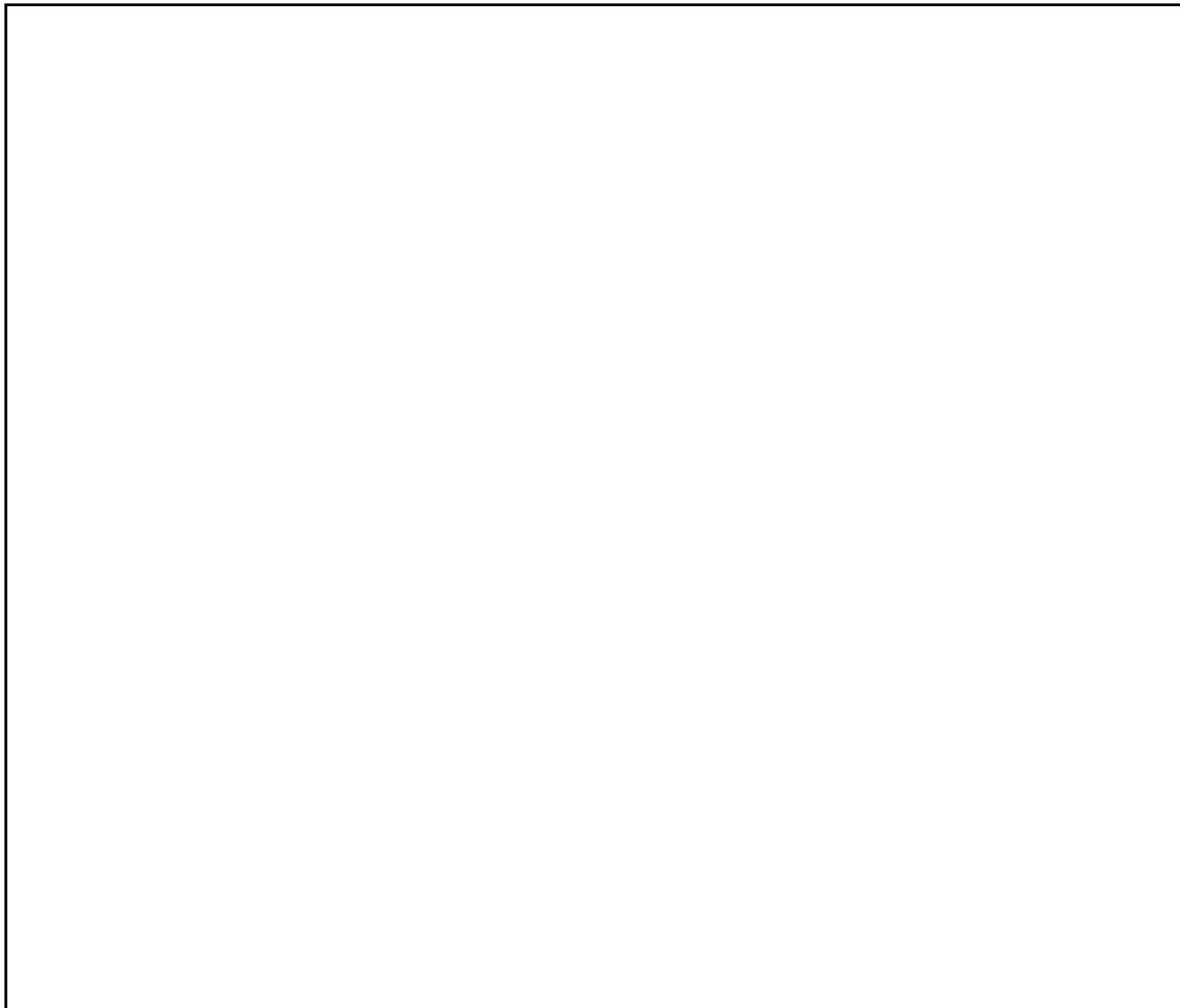
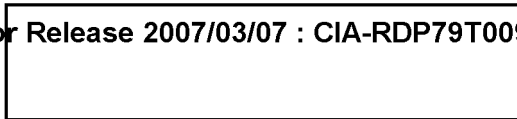
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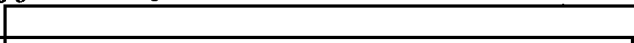


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PERU: Economic Protest Contained

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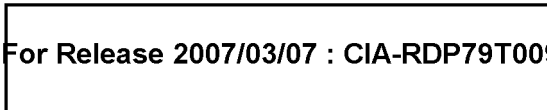
*[Redacted] The Peruvian government thus far has succeeded in containing demonstrations triggered by the harsh new economic plan announced on June 10.*



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[ ] //The government has moved swiftly to localize the protests that have taken place in most major cities by deploying security forces, imposing curfews, and making hundreds of arrests.//

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[ ] //The most serious disturbances occurred in Cuzco and Puno. On June 15 and 16, a battle between leftist students and police in Cuzco deteriorated into general rioting before the civil guard restored order. In Puno last week, demonstrators derailed a train and burned a police station and several other government building. Other demonstrations, though much less severe, have occurred in Lima, Arequipa, Ayacucho, and several smaller localities.//

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[ ] Students, with encouragement from leftists, remain the principal agents in the disturbances. Organized labor has played a less conspicuous role. Localized strikes in support of the students have been only partially successful because of government threats to punish workers who participate.

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[ ] The government nevertheless fears an open confrontation with the workers. Bank workers plan to strike today in Lima, and a nationwide strike has been scheduled for next Tuesday by the far-left teachers' union.

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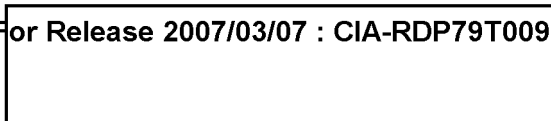
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UK: Renewing Political Alliance


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 //The likelihood that the informal alliance between the minority Labor government and the Liberal Party will continue for at least another year takes some of the pressure off Prime Minister Callaghan and suggests that he may be able to avoid calling an election this fall.//

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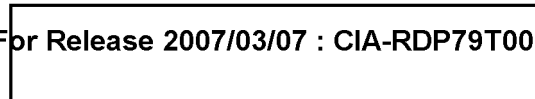
 //The Liberals, who met last weekend to discuss their demands for a renewal of the alliance, have presented Callaghan with a ten-point package that probably will be accepted by members of both parliamentary parties. The Liberals hope that negotiations on the package and acceptance of their latest terms can be completed by the end of July. Party leaders would like to present the terms of the accord to the annual party conference in September.//

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 //Two of the Liberals' concerns--direct elections to the European Parliament and devolution for Scotland and Wales--have been addressed during the current parliamentary session, but in part because of differences within the Labor Party, little or no headway has been made.//

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25X1 [ ] //Michael Foot, deputy Labor Party leader and prominent left winger, commented to the US ambassador that he expects the direct elections bill to be passed next spring. The present version of the bill recommends the use of proportional representation--which the government hopes will satisfy the Liberals. The final version almost certainly will not include such a provision, however. To mollify the anti-EC Laborites, the government plans to allow a free vote on the issue of direct elections as well as on the type of election system.//

25X1 [ ] //On the question of devolution, Foot said that the government would make another attempt to push a bill through the Commons despite the opposition of many Laborites. He commented that he was confident that the government would succeed and that "it had to if the UK were to remain united."//

25X1 [ ] //Callaghan, Foot, and Liberal Party leader Steel have each said that an early national election will not be called, despite widespread comments to the contrary in the media. Callaghan and Steel publicly stated last weekend that they foresee the government staying in power until 1979 should the alliance be renewed. Foot told the US ambassador that he does not expect an election before October 1978. [ ] 25X1

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#### ZAIRE-USSR: Improving Relations

25X1 [ ] *US and Zairian diplomats in Moscow have noted a change in Soviet attitudes toward Zaire since the failure of the Katangan invasion of Zaire's Shaba province. During the invasion, when the Zairians were charging that the Soviets were behind the attack, Soviet Foreign Ministry African specialists were "unavailable" to the Zairians. Since the suppression of the invasion in late May, the same officials have become friendly and accessible. One Soviet official has indicated in private that Moscow would like to forget the past and improve its relations with Zaire.*

25X1 [ ] Zairian officials in Moscow think it would be beneficial to normalize relations with the USSR, but they are not sure how far President Mobutu wants to go toward improving relations now. They reportedly are considering sending a senior embassy official home to Kinshasa to determine Mobutu's personal views.

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[ ] Mobutu has never been particularly friendly toward the Soviets, and relations thus far have been limited to what he thought useful to his own interests. Mobutu personally displayed Soviet arms purportedly captured from the Katangans in Shaba and called for international opposition to the Soviets in Africa. He is likely to be cautious about improving relations so soon after the Shaba experience.

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[ ] The Zairian officials in Moscow say that a Soviet Union Day has been scheduled at the July trade fair in Kinshasa and that they have been instructed to invite Soviet Minister of Foreign Trade Patolichev. They are not sure that relations have improved sufficiently for Patolichev to accept; if he does not, they expect his deputy to attend.

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[ ] The Soviets reportedly plan to inaugurate Aeroflot service to Kinshasa, canceled earlier because of the Shaba conflict, at the time of the fair. [ ]

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